

Loan Related Issues for Active Duty Personnel

Satellite and Streaming Video Lender Training

May 11, 2005



Student Materials

U S Department of Veterans Affairs – Veterans Benefits Administration
Loan Guaranty Service
Training Unit - 264B

<http://www.homeloans.va.gov/broadcast.htm>

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Course Outline

- 1) Obtaining a Certificate of Eligibility
 - a. Service Requirement
 - b. Obtaining a Certificate of Eligibility
 - Traditional method
 - Automated method (ACE)
- 2) Occupancy Requirements
 - a. Certifications
 - b. Temporary Duty
 - c. Retirement
- 3) Income
 - a. Documentation
 - b. Discharge Date
 - c. Military Allowances & Allotments
 - d. Reservists (Activated) & Recent Discharges
 - e. Residual Income
 - f. Debt-to-Income Ratio
- 4) Leave & Earning Statement (LES)
- 5) Credit, Income and Documentation
 - a. Credit Guidelines
 - b. Income – Reserve/Guard
 - c. Certification Loan Disbursement
 - d. Counseling Checklist
- 6) Funding Fee
- 7) Alive & Well Certification
- 8) Power of Attorney
- 9) Soldiers & Sailors Civil Relief Act

USEFUL WEB SITES

Address (URL)	What's There?
http://vip.vba.va.gov/	Veteran's Information Portal Single sign-in gateway to ACE, TAS and other applications
www.homeloans.va.gov	Lender's Handbook, VA forms, FAQs, e-mail addresses, information pamphlets, links to lists of VA acquired homes, VA Regional Office directory
www.tas.vba.va.gov	The Appraisal System (TAS), appraisal assignments and Notices of Value
http://tas.vba.va.gov/TAS/index.html	Automated Certificate of Eligibility Program (ACE)
www.homeloans.va.gov/elig.htm	Eligibility Centers (eligibility information, FAQs, download 26-1880)
www.vba.va.gov/pubs/forms1.htm	VA Forms
www.nara.gov/regional/mpr.html	National Personnel Records Center (Includes information regarding obtaining military personnel records.)
www.homeloans.va.gov/train.htm	Free training on the VA home loan program, including web-based, computer-based, videotapes, and interactive TV courses
http://homeloans.va.gov/mortlen1.htm	Find a VA approved lender in any location.
predesignteamfee@vba.va.gov	E-mail address to send comments or suggestions to the Loan Production Redesign Team
www.vba-roanoke.com/rlc/GILoans.asp	Order IRRRL Certificates of Eligibility

Regional Loan Centers

Atlanta, GA

Georgia, Tennessee, North Carolina, South Carolina

(888) 768-2132

Cleveland, OH

Ohio, Michigan, Indiana, Delaware, Pennsylvania,
New Jersey

(800) 729-5772

Denver, CO

Colorado, Wyoming, Montana, New Mexico,
Alaska, Utah, Idaho, Oregon, Washington

(888) 349-7541

Houston, TX

Texas, Arkansas, Oklahoma, Louisiana

(888) 232-2571

Manchester, NH

Maine, Massachusetts, Connecticut, Vermont,
New Hampshire, Rhode Island, New York

(Loan Administration)

(800) 827-0336

(Loan Production/Valuation)

(800) 827-6311

Phoenix, AZ

Arizona, Nevada, California

(888) 869-0194

Roanoke, VA

Virginia, West Virginia, Washington DC,
Maryland, Kentucky

(800) 933-5499

St. Paul, MN

Minnesota, Illinois, Iowa, Nebraska, Kansas,
Wisconsin, North Dakota, South Dakota, Missouri

(800) 827-0611

St. Petersburg, FL

Florida, Alabama, Mississippi

(888) 611-5916

Note: These Regional Offices also have fully functioning Loan Production offices:

San Juan, PR

Honolulu, HI

(787) 772-7212

(808) 433-0480

VA ELIGIBILITY CENTERS

Los Angeles VA Eligibility Center

Mail Service
Department of Veterans Affairs Eligibility Center PO Box 240097 Los Angeles, CA 90024

Toll Free: 1-888-487-1970 Telephone: (310) 235-6199, Ext. 8174

Web site: www.vahomes.org/la/home.htm

The Los Angeles VA Eligibility Center services the following states:

Alaska	Illinois	Nebraska	Texas
Arizona	Iowa	Nevada	Utah
Arkansas	Kansas	New Mexico	Washington
California	Louisiana	North Dakota	Wisconsin
Colorado	Minnesota	Oklahoma	Wyoming
Hawaii	Missouri	Oregon	
Idaho	Montana	South Dakota	

Winston-Salem VA Eligibility Center

Toll Free: 1-888-244-6711

Mail Service	Courier Service
Department of Veterans Affairs Eligibility Center PO Box 20729 Winston-Salem, NC 27120	Department of Veterans Affairs Eligibility Center 251 N. Main St. Winston-Salem, NC 27155

The Winston Salem VA Eligibility Center services the following states:

Alabama	Maine	New York	Virginia
Connecticut	Maryland	North Carolina	Vermont
Delaware	Massachusetts	Ohio	West Virginia
Florida	Michigan	Pennsylvania	
Georgia	Mississippi	Rhode Island	District of Columbia
Indiana	New Hampshire	South Carolina	
Kentucky	New Jersey	Tennessee	

Note: Eligibility Certificates are also available from:

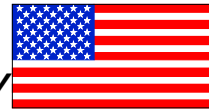
San Juan, PR

Honolulu, HI

(787) 772-7212

(808) 433-0480

QUICK REFERENCE FOR VA ELIGIBILITY



VETERAN'S ENTITLEMENT FOR LOAN GUARANTY BENEFITS

ERA	DATES	MINIMUM SERVICE*
WWII	9/16/40 - 7/25/47	90 continuous days
Peacetime	7/26/47 - 6/26/50	181 days
Korean	6/27/50 - 1/31/55	90 days
Post-Korean	2/1/55 - 8/4/64	181 days
Vietnam	8/5/64 - 5/7/75	90 days
Post-Vietnam (Enlisted)	5/8/75 - 9/7/80	181 days
Post-Vietnam (Officer)	5/8/75 - 10/16/81	181 days
Post-Vietnam (Enlisted)	9/8/80 - 8/1/90	2 years
Post Vietnam (Officer)	10/17/81 - 8/1/90	2 years
Persian Gulf	8/2/90 - undetermined	2 years or period called to active duty, not less than 90 days

OTHER ELIGIBLE PERSONS	MINIMUM SERVICE REQUIRED
Active duty member**	90 continuous days (181 during peacetime)
Active Reserve or National Guard	6 years in Selected Reserves
Unremarried surviving spouse***	No time requirement. Veteran must have died on active duty or from a service-connected disability.
POW/MIA spouse	Veteran must have been POW or MIA 90 days.

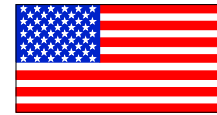
**A veteran who has served less than the minimum required period of service or was discharged because of a service-connected disability, may be eligible for home loan benefits. Other categories of exceptions can be found in Chapter 2, Section 5 of the Lender's Handbook.*

***Certificate only valid while veteran remains on active duty*

****For IRRRLs only, the surviving spouse of a deceased veteran may do an IRRRL using the veteran's Certificate of Eligibility. The spouse, in this case, does not have separate entitlement.*

INELIGIBLE SERVICE:

World War I, Active duty for training in Reserves, Active duty for training in National Guard (*Unless "activated" under authority of Title 10, U.S. Code*)



PROOF OF SERVICE

DD-214

The DD-214 is the most common type of proof of service. It has been issued to veterans discharged from all branches of service since January 1, 1950.

What to look for?

- ✓ Veteran's name while in the service
- ✓ Branch of Service
- ✓ Social Security Number
- ✓ Date of Birth
- ✓ Dates of Service (entry date, discharge date, and net active service)
- ✓ Character of Service*
- ✓ Lost Time

NOTE: After October 1, 1979, the form was revised and veterans were issued a "Member-1" and a "Member-4" copy of the DD-214. The "Member-4" copy must be submitted with the VA Form 26-1880 as the character of service and time lost are listed on this form.

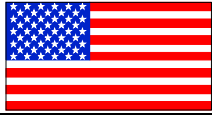
*Any one of the following may be listed in the Character of Service section of the DD-214:

Type of Discharge for Active Duty Veteran	Action
Honorable (HON)	Acceptable
Under Honorable Conditions (UHC)	Acceptable
General (GEN)	Acceptable
Other Than Honorable (OTH)	Requires Adjudication Review
Bad Conduct	Requires Adjudication Review
Dishonorable	Unacceptable

NOTE: The only acceptable character of service for a veteran who served in the Selected Reserves/National Guard is "HONORABLE".

DD-215 - The DD-215 is issued to correct any wrong information on a DD-214. When a veteran submits a DD-215, the DD-214 must also be included.

PROOF OF SERVICE



Proof of Service Prior to 1950

Prior to 1950, each branch of the service issued its own separate proof of service:

Army	WDAGO #53-55
Navy	NAVPERS-553
Air Force	WDAGO #53
Marines	NAVMC78

All required eligibility information is included on the above-listed types of separation forms. However, the information may be difficult to locate as the forms do not have a uniform format.

Certificate of Military Service

The Certificate of Military Service is issued to veterans by the National Personnel Records Center (NPRC) as a substitute for a copy of the actual discharge papers. NPRC issues this record because the original proof of service was lost or destroyed. This is an official document and can be used for verification of military service. It shows the entry date, discharge date and character of service.

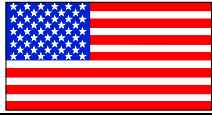
ACTIVE DUTY

Statement of Service

A Statement of Service is required as proof of service when a veteran is serving on active duty or when a reservist continues to serve in the Selected Reserves. There is no official format, but it is usually prepared on military letterhead or is computer generated by the branch of service.

- An acceptable letter will show the veteran's name, service/Social Security number, date of birth, any lost time or breaks in service and date of entry into active duty or the Selected Reserves. If the Statement of Service does not reference any lost time, it should be assumed there was none.
- The character of service is not generally provided on this type of proof of service. When it is not stated, the character of service should be considered "Honorable".
- Finally, the letter should be signed by the adjutant, personnel officer or commanding officer of the unit.

PROOF OF SERVICE



Reservist/National Guard

Unlike members of regular components of the Armed Forces, there isn't one standard form given to members of the Reserves or Guard. Generally, members of the Reserves/Guard will have some type of points summary detailing participation in the Selected Reserves.

The following documents are usually acceptable to establish eligibility:

Reserve/Guard Branch	Required Proof of Service
Army/Air National Guard	NGB-22, Report of Separation and Record of Service
Army Reserve	DARP Form 249-2-E or ARPC Form 606, Chronological Statement of Retired Points
Navy Reserve	NRPC 1070-124, Annual Retirement Point Record
Air Force Reserve	AF-526, Point Summary Sheet
USMC Reserve	NAVMC-798
Coast Guard Reserve	CG-4175

Discharge Certificate

The discharge certificate is issued to both regular military and reservist veterans. It can be used as proof of character of service for a reservist when only a points statement is available.

Note: The minimum required length of service for a Reserve/National Guard member is six (6) years of active reserve duty.



Table of Residual Incomes by Region For loan amounts of \$79,999 and below				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
over 5	Add \$75 for each additional member up to a family of 7.			

Table of Residual Incomes by Region For loan amounts of \$80,000 and above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1062	\$1,039	\$1,039	\$1,158
over 5	Add \$80 for each additional member up to a family of 7.			

Key to Geographic Regions Used in the Preceding Tables			
Northeast	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
Midwest	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
South	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
West	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
			Wyoming

COUNSELING CHECKLIST FOR MILITARY HOMEBUYERS

1. Failure on the part of a borrower on active duty to disclose that he/she expects to leave the area within 12 months due to transfer orders or completion of his/her enlistment period may constitute "bad faith." If your loan is foreclosed under circumstances which include such bad faith, you may be required to repay VA for any loss suffered by the Government under the guaranty. (In ANY case in which VA suffers a loss under the guaranty, the loss must be repaid before your loan benefits can be restored to use in obtaining another VA loan.)
2. Although real estate values have historically risen in most areas, there is no assurance that the property for which you are seeking financing will increase in value or even retain its present value.
3. It is possible that you may encounter difficulty in selling your house, recovering your investment or making any profit, particularly if there is an active new home market in the area.
4. Receiving military orders for a permanent change of duty station or an unexpected early discharge due to a reduction in force will not relieve you of your obligation to make your mortgage payments on the first of each month.
5. "Letting the house go back" is **NOT** an acceptable option. A decision to do so may be considered "bad faith". A foreclosure will result in a bad credit record, a possible debt you will owe the government and difficulty in getting more credit in the future.
6. If unexpected circumstances lead to difficulty in making your payments, contact your mortgage company promptly. It will be easier to resolve any problems if you act quickly and be open and honest with the mortgage company.
7. **YOUR VA LOAN MAY NOT BE ASSUMED WITHOUT THE PRIOR APPROVAL OF VA OR YOUR LENDER.**
8. **DO NOT BE MISLED!** VA does not guarantee the **CONDITION** of the house which you are buying, whether it is new or previously occupied. VA guarantees only the **LOAN**. You may talk to many people when you are in the process of buying a house. Particularly with a previously occupied house, you may pick up the impression along the way that you need not be overly concerned about any needed repairs or hidden defects since VA will be sure to find them and require them to be repaired. This is **NOT TRUE!** In every case, ultimately, it is your responsibility to be an informed buyer and to assure yourself that what you are buying is satisfactory to you in all respects. Remember, VA guarantees only the loan - **NOT** the condition.
9. If you have any doubts about the condition of the house which you are buying, it is in your best interest to seek expert advice before you legally commit yourself in a purchase agreement. Particularly with a previously occupied house, most sellers and their real estate agents are willing to permit you, at your expense, to arrange for an inspection by a qualified residential inspection service. Also, most sellers and agents are willing to negotiate with you concerning what repairs are to be included in the purchase agreement. Steps of this kind can prevent many later problems, disagreements, and major disappointments.
10. Proper maintenance is the best way to protect your home and improve the chance that its value will increase.
11. If you are buying a previously owned house, you should look into making energy efficient improvements. You can add up to \$6,000 to your VA loan to have energy efficient improvements installed. Consult your lender or the local VA office.

I HEREBY CERTIFY THAT the lender has counseled me and I fully understand the counseling items set forth above.

(Borrower's Signature)

(Date)

I HEREBY CERTIFY THAT the borrower has been counseled regarding the counseling items set forth above.

(Lender's Signature)

(Date)





VA FUNDING FEE

VA Funding Fee Requirement

Funding Fee Tables

Purchase And Construction Loans

Note: The funding fee for regular military first time use from 1/1/04 to 9/30/04 is 2.2 percent. This figure drops to 2.15 percent on 10/1/04.

Type of Veteran	Down Payment	First Time Use	Subsequent Use for loans from 1/1/04 to 9/30/2011
Regular Military	None	2.15%	3.3% *
	5% or more (up to 10%)	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves/ National Guard	None	2.4%	3.3% *
	5% or more (up to 10%)	1.75%	1.75%
	10% or more	1.5%	1.5%

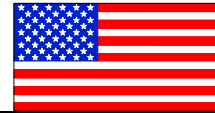
Cash-Out Refinancing Loans

Type of Veteran	Percentage for First Time Use	Percentage for Subsequent Use
Regular Military	2.15%	3.3% *
Reserves/National Guard	2.4%	3.3% *

* The higher subsequent use fee does not apply to these types of loans if the veteran's only prior use of entitlement was for a manufactured home loan.

Other Types Of Loans

Type of Loan	Percentage for Either Type of Veteran Whether First Time or Subsequent Use
Interest Rate Reduction Refinancing Loans	.50%
Manufactured Home Loans	1.00%
Loan Assumptions	.50%



Alive & Not Missing in Action Certification
(Lender's Handbook, Chapter 9, section 7. b)

"The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in-fact."

Policy Guidance for Alive and Well Certification

The lender's Handbook states that a certification must be made by the lender when the loan is closed by someone other than the veteran via a Power of Attorney. Due to recent military actions, it may be more difficult to obtain an Alive and Well Certification for veterans deployed whose units have gone "silent" or whose communications have been "cut off." The following guidance is to help lenders obtain the necessary certification and also provide an alternative for situations beyond their control:

- VA will not require lenders to make the Alive & Well Certification in connection with IRRRL loans. There is no new use of entitlement in connection with these loans and in most cases the position of the borrower will be improved (lower rate, lower payment, etc.)
- VA still expects lenders to make an attempt to obtain information to make the certification in connection with purchase and cash-out refinances loans. HOWEVER, if lenders cannot obtain the necessary information, VA will accept documentation of their efforts and go ahead and guaranty the loan. The documentation must demonstrate that the lender made a good faith, bona fide effort (i.e., contacted home base of deployed vet, copy of returned, email, etc.). It is not sufficient for a lender to just note that "...the veteran's spouse said he/she can't contact him."

VIDEOTAPES, STREAMING VIDEOS & CD's AVAILABLE

As a service to our private-sector partners, Loan Guaranty makes available the tapes of our interactive televised training broadcasts. Costs of taped broadcasts are \$34.95 per tape. Tapes will be available after each broadcast by calling **Multi Video Services at 1-800 800-DUBS (3827)**.

2004 & 2005 Broadcast Tapes Available:

- Lender Appraisal Processing Program – February 9, 2005
- Closing the Loan Package – March 16, 2005
- Processing the Loan Package – April 13, 2005
- Active Duty Issues – January 21, 2004
- Credit Underwriting – February 11, 2004
- Fee Appraiser Training – March 17, 2004
- Real Estate Professionals Panel– April 7, 2004
- Processing the Guaranty – May 11, 2004
- Lender Appraisal Processing Program – June 16, 2004
- What's New / Web Based Loan Summary Sheet – September 15, 2004

Streaming Internet and Videos

Loan Guaranty has produced 18 short training videos (10-20 minutes in length) to support lender training on the various aspects of the VA Home Loan Program. The videos are available via On-Demand streaming video at <http://www.homeloans.va.gov/train.htm> or for purchase (\$19.95 each) in VHS format from **Multi Video Services at 1-800-800 DUBS (3827)**.

Short Video Titles:

- Overview of the VA Home Loan Program
- VA Appraisals
- VA Minimum Property Requirements (MPRs)
- VA Eligibility
- Underwriting Self Employed Borrowers
- Bankruptcy in Underwriting
- ACE Update - Automated Certificate of Eligibility
- Appraisal Appeal
- Loans for Newcomers
- Credit Issues in Underwriting
- Automated Underwriting Systems
- Thinking of Refinancing?
- Energy Efficient Mortgages
- Proposed vs. New Construction
- TAS (The Appraisal System)
- Working with VA (Becoming a VA Approved Lender)
- Thinking of Buying a Home?
- Thinking of Selling Your Home?

Information on the VA Home Loan Program for Real Estate Professionals

This award winning CD is available at no cost from Regional Loan Centers. It dispels myths about VA Home Loan procedures and contains basic information about the home loan program and website links.

COURSE EVALUATION

Please use your keypad to answer the following questions. The last digit in the number displayed on your keypad corresponds to the questions below. The possible response choices will be displayed on your keypad. After entering your response, press the "NEXT QUEST" key to see the next set of responses. You may change a response to a previously answered question by using the "PREV QUEST" or "NEXT QUEST" keys to scroll to the answer you want to change and enter a new response. When you have answered all the questions, you will be prompted to answer this additional question: "Exam Completed?" If you are finished, please answer "Yes" by pressing the corresponding function key.

For items 1-10 below, please rate the extent to which you agree with each of the statements by selecting:

A - you strongly agree B - you agree C - you disagree
D - you strongly disagree E - item not applicable

1. The broadcast was relevant to my job needs.
2. The broadcast met the stated objectives.
3. The student materials facilitated my understanding of the course.
4. I feel that I can apply what I have learned in this broadcast.
5. The visuals used during the class helped me learn the course content.
6. The instructors demonstrated a firm grasp of the subject matter.
7. The instructors communicated the material effectively.
8. I was able to get my questions answered.
9. Participants at my site were attentive to the broadcast.
10. Interactive distance learning was an effective method for this course.

For 11-14 below, select the appropriate option by entering A, B, or C.

- | | | | |
|---------------------------|----------------------|------------------------|-----------------------|
| 11. Length of broadcast: | A - too short | B - about right | C - too long |
| 12. Amount of information | A - too much | B - about right | C - too little |
| 13. Complexity of course | A - too basic | B - about right | C - too hard |
| 14. Pace of course | A - too slow | B - about right | C - too fast |

For questions 15-16, please rate degree to which you were satisfied with the instructors and course by selecting:

A - very satisfied B - satisfied C - neutral
D - dissatisfied E - very dissatisfied

- | | | | | | |
|--|---|---|---|---|---|
| 15. How satisfied were you with the instructors? | A | B | C | D | E |
| 16. How satisfied were you with the course? | A | B | C | D | E |

At this time, "Exam Completed?" should appear on your response keypad. Pressing "N" will allow you to go back and review and/or change any answers. Pressing "Y" indicates that your evaluation form is complete.

Thanks for your help